

MINUTES OF REGULAR MEETING
ILLINOIS GAMING BOARD
SEPTEMBER 30, 1994
ALTON, ILLINOIS

A Regular Meeting of the Illinois Gaming Board was held on Friday, September 30, 1994. The meeting was held at the Holiday Inn, Alton, located at 3800 Homer M. Adams Parkway. The meeting was held pursuant to previous Board action and notice was duly given to each Board Member and the general public in conformity with the Illinois Open Meetings Act, 5 ILCS 120.

The following Board Members were present: J. Thomas Johnson, Chairman; and Members William B. Browder, Gayl S. Pyatt and Robert F. Vickrey. Member J. William Roberts was absent.

Additionally, Interim Administrator Joseph F. McQuaid, State Representative Jim McPike, the media and the general public were in attendance.

Chairman Johnson called the meeting to order at 9:45 A.M.

Member Vickrey moved that pursuant to the Open Meetings Act, 5 ILCS 120/2 (g), (h) and (k) that the Board retire to Closed Session to consider the following subject matter:

1. Staff reports regarding Supplier Licenses
2. Staff reports regarding Occupational Licenses
3. Matters concerning Owners Licenses that were confidential pursuant to the Open Meetings Act
4. Recommendations of the Administrative Law Judge
5. Investigatory matters
6. Personnel matters, and
7. Procedures of the Board.

Ms. Pyatt seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote and the Board retired to Closed Session at 9:46 A.M.

The Illinois Gaming Board reconvened in Open Session at 12:22 P.M. Chairman Johnson and Members Browder, Pyatt and Vickrey were in attendance.

The Chairman made general comments concerning the Board's discussions in Closed Session. There were no questions or discussion by other Board Members.

The first order of business concerned approval of minutes.

Ms. Pyatt moved that the minutes of the Regular Meeting held July 14, 1994 be approved. Mr. Browder seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

The next order of business concerned the Administrator's Report. The Chairman recognized the Interim Administrator.

Mr. McQuaid presented monthly reports concerning cruise disruptions and underage gambling. The Chairman noted that two licensees would be appearing before the Board later in the course of the meeting to discuss cruise disruptions. Mr. McQuaid next asked for the Board to approve a selection of audit firms to review compliance of licensees with internal controls and rules of the Board. Mr. McQuaid stated that staff had issued a Request for Proposal and had evaluated the responses received.

Mr. Browder moved that the Board approve the following firms as compliance auditors:

Crowe Chizek
Coopers & Lybrand L.L.P.
Kupferberg, Goldberg & Niemark
KPMG Peat Marwick, and

that the firm of McGladrey & Pullen be approved as an alternate. Ms. Pyatt seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

The Chairman next recognized Member Pyatt. Ms. Pyatt stated that she was growing increasingly concerned that owner licensees were abusing the intent of Rule 3000.510, Excursions During Inclement Weather or Mechanical Difficulties. She stated that she believed that the rule extended to emergency situations but that licensees had routinely circumvented that intent. Ms. Pyatt offered several specific examples of possible abuses. She suggested that the Board should instruct staff to focus on reviewing cruise disruptions and cancelations and that the Board regularly scrutinize disruptions and where appropriate, issue discipline to licensees. Chairman Johnson suggested that staff work with Member Pyatt to develop recommendations to be presented at a future meeting of the Board.

The next order of business concerned an update from applicants found suitable for licensing. The Chairman recognized Elgin Riverboat Resorts.

Mr. Dan Azark appeared on behalf of the applicant. He told the Board that construction of their vessel was complete and was undergoing inspection by the U.S. Coast Guard. He noted that internal controls had been submitted to staff for review and approval.

Mr. Vickrey moved that the Board authorize the Administrator to conduct a Final Practice Gaming Excursion with respect to the application received from Elgin Riverboat Resorts and that upon successful completion of such cruise and compliance with the applicable sections of the Riverboat Gambling Act and Board Rules, the Administrator was authorized to issue a Temporary Operating Permit to operate until such time as the Board meets to consider issuance of an owners license. Mr. Browder seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

The Chairman instructed the Administrator to notify all Board Members of the Final Practice Gaming Excursion so that available members could attend. Ms. Pyatt asked that the October, 1994 regular meeting be held in Elgin so that all members could visit the site. Hearing no objection, it was so ordered.

The next order of business concerned issues of owner/licensees. The Chairman recognized Alton Gaming Company; elements for consideration for license renewal. The Chairman noted those who would be appearing and first called on Professor Fred Giertz, University of Illinois.

Mr. Giertz presented an economic impact report. He stated that overall growth in Alton was consistent with the increased activity created by the boat and that Alton Gaming Company had made a major contribution to the economy. Mr. Giertz stated that 1000 new jobs had been created with an annual payroll of \$15 million. He stated that 52% of patrons came from the Missouri metropolitan area, 30% came from outside the St. Louis/Illinois metropolitan area and remaining 18% from the Illinois metropolitan area. He further reviewed consumer spending in the area. Mr. Giertz stated that the Alton consumer growth rate outpaced the statewide rate by 0.6%. The Chairman stated that upon receipt of a final report that copies would be made available to the public.

The Chairman next recognized Mr. McQuaid.

Mr. McQuaid reviewed the regulatory performance of Alton Gaming Company. Mr. McQuaid stated that since 1991 the Administrator had sent six letters to Alton Gaming Company that concerned minor compliance problems with internal controls. He stated that there had been no infractions of the Act or Rules nor had any investigations based on alleged violation of either the Act or Rules been undertaken. Mr. McQuaid stated it was his belief that Alton Gaming Company was in significant compliance with the Riverboat Gambling Act and Rules of the Gaming Board.

The Chairman next recognized State Treasurer Patrick Quinn.

Mr. David Vaught, an employee of the Office of the State Treasurer, appeared on behalf of Mr. Quinn. Mr. Vaught stated that Treasurer Quinn did not object to the renewal of an owner's license to Alton Gaming Company. He noted that Treasurer Quinn had filed an affidavit concerning an investor of Argosy Gaming Company, William Cellini, and had asked Mr. Vaught to make additional comments to the Board. Mr. Vaught stated that Treasurer Quinn was concerned about the integrity of the regulatory process as it applied to the initial approval of Alton Gaming Company. Mr. Vaught stated that Treasurer Quinn wanted the Board to require Mr. Cellini to pledge Argosy Gaming Company stock to a loan held by President Lincoln Hotel Partnership.

The Chairman commented that the State Treasurer is responsible for enforcement of the loan to President Lincoln Hotel Partnership, not the Illinois Gaming Board. The Chairman noted that the loan to President Lincoln Hotel Partnership had not been declared in default and that he did not know how the Board could legally accede to the Treasurer's demand. The Chairman stated there was no relationship between the President Lincoln Hotel Partnership and Alton Gaming Company.

The Chairman next recognized Representative Jim McPike.

Representative McPike urged the Board to approve the license renewal. He stated that the legislative intent had been met by Alton Gaming Company in the areas of economic development, tourism and job creation. Representative McPike

told the Board that there has been no increase in criminal activity and that one of the safest places in Alton at night was at the Alton Belle docksite.

There being no further discussion, Ms. Pyatt made the following motion, to wit:

"I move that the Board make a determination, based on the economic benefit produced for the State of Illinois and the City of Alton, and based on the report of the Administrator, that the Alton Gaming Company continues to meet all the requirements of the Illinois Riverboat Gambling Act and this Board's Rules, and that therefore this Board should approve the renewal of the Owner's License for the Alton Gaming Company pursuant to Section 7 (g) of the Illinois Riverboat Gambling Act."

Mr. Vickrey seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

The next item of business concerned a request received from Alton Gaming Company to acquire a line of credit of \$100 million over three years. Mr. Joe Uram appeared on behalf of the licensee to describe the request. The matter was deferred to the October, 1994 meeting.

The Chairman next recognized Hollywood Casino-Aurora.

Messrs. John Janicik and Edward Pratt appeared on behalf of the licensee. Mr. Pratt requested approval for an expansion of their vessel which would increase the casino size by 10,000 square feet. He stated that all newly created space would be used for 245 electronic gaming devices and would create an additional 50 permanent jobs. Mr. Pratt stated that the expansion would cost \$20 million. Financing for the project would come from a mixture of funding including a contribution from Hollywood's parent company, internal funds, local bank financing and equipment lease financing.

The Chairman noted that the request required three separate actions by the Board:

1. approval of an equity contribution from the parent company, Hollywood Casino Corporation,
2. approval of the capitalization for a specific project, and,
3. approval of the design of the vessel addition.

Ms. Pyatt moved that an equity contribution of \$6 million from Hollywood Casino Corporation to Hollywood Casino-Aurora be approved. Mr. Browder seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

The remaining issues were deferred to the October, 1994 meeting. The Chairman next discussed a newspaper advertisement of Hollywood Casino-Aurora which featured Illinois Gaming Board statistics. The Chairman stated he wished that licensees would refrain from using such information in their advertisements.

The Chairman next recognized Casino Queen Inc. The Chairman stated that Casino Queen had been requested to appear on the matter of unusually high cruise disruptions and cancellations.

Messrs. John Janicik and Michael Gaughn appeared on behalf of the licensee. Mr. Gaughn told the Board that cruising problems are the result of the vessel being located in the busiest inland seaport in the United States. He presented information that showed that 29% of cruises were cancelled because of flooding, 23% by weather, 43% by mechanical problems, and 5% by other causes. Mr. Gaughn stated that Casino Queen, Inc. had spent \$1 million to eliminate mechanical problems which had contributed to cruise cancellations. He further stated that the U.S. Coast Guard had issued letters to the Administrator and to Casino Queen stating that the vessel master was the sole authority in determining whether a particular cruise was to be cancelled.

Ms. Pyatt said that her earlier stated concerns did not suggest that licensees cruise in unsafe conditions, but that the statute required that no gambling was to be conducted while a riverboat was docked. She noted that the Board was in a predicament in the enforcement of the Act. Mr. Browder noted that Casino Queen appeared to have experienced more weather and mechanical problems than any other Illinois vessel. Mr. Gaughn detailed a number of mechanical problems. Chairman Johnson stated that mechanical problems needed to be addressed more efficiently. Ms. Pyatt asked several questions concerning June, 1994 cancelations.

Mr. Janicik next requested Board approval for a \$1.2 million line of credit from Harris Bank. Mr. Janicik stated that the previous line of credit with Boatman's Bank had expired and that Casino Queen, Incorporated felt it prudent to have a line of credit available. The request was deferred to the October, 1994 meeting.

The next order of business concerned renewal of suppliers licenses.

Ms. Pyatt moved that the Supplier's License for Kilmartin Industries, Inc. to be a supplier of gaming tokens be renewed. Mr. Browder seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

The next order of business concerned occupational licenses.

Mr. Vickrey moved that the Board approve the Occupational License, Level 1 applications received from the following individuals:

Ikhlas Ahmed
Richard Banner
John Beck
Robert Bittman
Kazunori Kano
Takeshi Kurata
Laurance Lacaff
Joseph McBride
John McMillan
George Medchill

Melvin Meyer

Ms. Pyatt seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

Mr. Vickrey moved that the Board accept the staff report and recommendations and approve the applications received for Occupational License, Levels 2 & 3. It was noted the motion included 384 Level 2 and 619 Level 3 applications. Mr. Browder seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

Mr. Vickrey moved that the Board accept the staff report and recommendations and deny the application for an Occupational License, Level 1 received from Roger Cox. Ms. Pyatt seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

Mr. Vickrey moved that the Board accept the staff report and recommendations and deny the applications received for Occupational License, Levels 2 & 3. It was noted the motion included 5 Level 2 and 18 Level 3 applications. Ms. Pyatt seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

The next item of business concerned administrative hearings.

Ms. Pyatt moved that the Board deny the requests for hearing submitted by the following individuals in that the requests failed to comply with Rule 3000.405:

Louis Corradetti
Jose Diaz
Edward Field
Joan McDonald
Larry Smith
Maggie Smith
Gary Stonebreaker.

Mr. Browder seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

Ms. Pyatt moved that the Board grant leave to Christine Jackson to withdraw her request for hearing. Mr. Browder seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

Ms. Pyatt moved that the Board grant leave to Kristie Stover to withdraw her request for hearing and to reapply for an occupational license within one

year of September 30, 1994. Mr. Browder seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

Ms. Pyatt moved that the Board, having reviewed the administrative record, adopt the findings of fact and conclusions of law as stated in the recommendations of the Administrative Law Judge and deny applications for occupational licenses for the following individuals:

John Huston
Marilyn Lee
Patrick Murphy
Michael Randolph
Mike Sellers
Joel Solis

Mr. Browder seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

The next item of business concerned pending investigations. The Chairman stated that the Administrator had provided an update of on-going investigations during Closed Session.

There being no further business to come before the Board, Mr. Browder moved the Board stand adjourned. Mr. Vickrey seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote and the Board stood adjourned at 2:15 P.M.

Respectfully submitted,

James A. Nelson
Secretary of the Board

